

STATEMENT

OF THE

HONORABLE A. T. GALT,

IN REFERENCE TO THE

FAILURE OF THE COMMERCIAL BANK.



Ottawa.

PRINTED BY HUNTER

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HOUSE OF COMMONS,

Thursday, Dec. 12, 1867.

The Orders of the Day having been called, Hon. A. T. GALT rose and said: Mr. Speaker, before the Orders of the Day are proceeded with, I propose to make a statement with reference to the events which preceded and followed the failure of the Commercial Bank of Canada; and, to put myself in order, I propose to follow what is the usual practice of the House of Commons in England, by making a *pro forma* motion of adjournment. I may perhaps be asked why I did not take an earlier opportunity of making the statement I am now about to submit. My reason for not having done so is simply this—that the statement will disclose that in the course of the events I am about to refer to, certain differences of opinion happened unfortunately to arise between myself and my late colleagues, and I thought that, in the public interest it would be better that no subject should be introduced at the first meeting of this Parliament, which could by possibility, in the then excited state of public opinion, lead to any angry discussion or angry feeling in this House. I felt that it would be better for me to remain subject for a time to a certain amount of misapprehension and misconstruction, than to run the risk of putting any obstacle in the way of my honorable friends in the Government, whose policy I intend to support, and to whom possibly the result of those events might cause some partial embarrassment. But I am now brought to the conclusion, that it is my duty, for my own defence as a public man, to make the statement I am about to lay before the House. This has to a large extent arisen from the circumstance that, in another place a Committee has been granted in reference to the late crisis in Canada West. I am, of course,

quite ignorant of the course that Committee may take. It was applied for—you will permit me to say—entirely without my knowledge or concurrence, and, in fact, during my absence from this city. And though it was applied for, undoubtedly, by a personal friend of my own, still as I knew they could not be in possession of the facts relating to the course which I myself took in regard to the Commercial Bank, and during the subsequent crisis, I did not feel myself at liberty to run the risk of that Committee presenting a report which might possibly for all future time leave me responsible in the eyes of the public for events which I deplored in common with everybody else. I have, therefore, felt that I could not let Parliament rise, without applying, through my honorable friend at the head of the Government, for the permission of His Excellency the Governor General, to make such a statement as might be necessary with regard to my own course in reference to those unfortunate events. I made that application the day before yesterday to my honorable friend at the head of the Government, and he at once obtained for me the permission I sought, from His Excellency, and I am bound to say that that permission which has been given me to-day, would as readily have been accorded to me by my honorable friend, if I had applied for it at an earlier period of the Session. I propose now to refer to the various events which led up to the failure of the Commercial Bank, and, subsequently, to the crisis which followed. The first intimation which I received, in reference to the Commercial Bank being in danger, was from my honorable friend, Mr. Holton. I was, at the time, on a visit, on public business, to the Treasurer of Quebec. On my return home to Sherbrooke, I found a telegram from Mr. Holton, informing me that he desired particularly to see me on public business,

and wishing to know where he might do so. It did not happen to be convenient to me to visit Montreal next day. So I replied, that I wished him to come to Sherbrooke, which he did by the first train. He then informed me that the business on which he desired to see me related to the Commercial Bank, which, owing to a partial but continuous withdrawal of deposits was, in the opinion of the Directors, getting into a position of serious danger—and that he was desirous of submitting the case to me, that I might, if I thought proper, bring the matter before the Government, and obtain a deposit of public moneys, in order to give the Bank an additional reserve, as a security for their meeting their engagements. At the request of my honorable friend, I accompanied him the following day to Montreal. At the same time, Mr. Holton telegraphed to the officers of the Bank at Kingston, requesting that, if possible, the presence of Sir John A. Macdonald, one of the Directors of the Bank, should be obtained at Montreal. It was found impossible, however, as the elections were proceeding, for Sir John A. Macdonald to attend the meeting which took place at Montreal. It was there submitted to me by the Directors, that the position of the Bank was such, that they were apprehensive it might be brought into a condition which would require it to suspend payments, unless assistance could be obtained for it from the Government. I informed these gentlemen that there were, in my opinion, serious difficulties in the way of the Government rendering such assistance: That, in the first place, the Government did not possess, in a formal way, the approval of Parliament—that they had no authority—and that they would be obliged, if they gave assistance, to seek indemnity for their course from Parliament—and that to obtain that indemnity would require such a disclosure of the affairs of the Bank, as might possibly do them more harm, than the momentary assistance would do them good. I also said that I thought there were objections on the ground of its constituting a precedent—that it was difficult for the Government to come to the assistance of any one Bank, as they were prepared to come to the assistance of all—and that it appeared to me that it was only in circumstances where a great public disaster might be impending, that the Government could be justified in interfering. But I informed them at the same time that I would take the opportunity of consulting my honorable friend, Mr. Cartier, who was then in Montreal, as I had

not the advantage of seeing Sir John A. Macdonald. I accordingly saw Mr. Cartier, and found that his views on the points I have referred to, were, if anything, stronger than my own. However, at the desire of the Directors of the Bank, and particularly of its President, Mr. Cartwright, I consented to accompany them to Kingston, for the purpose of myself submitting the case to Sir John A. Macdonald, and ascertaining whether his views would differ in any material respect from those which had been expressed by Mr. Cartier and myself. I went to Kingston, and, having met Sir John, found that he shared the same opinion—that the Government, under the circumstances, would not be justified in interfering on behalf of the Bank. At the same time, we both agreed that the Government might possibly express such a desire to the Bank of Montreal, as would induce them to give the assistance that might be required, on such securities as the Commercial Bank had in its power to hand over to that institution. I then had an interview with a deputation of the Directors at Kingston, and conveyed to them the decision at which we had arrived. I may here remark that it was impossible to obtain a meeting of the Privy Council at that time, as the members were necessarily distributed over the whole Dominion, engaged more or less in attending to the various elections that were going on, and it would have been very difficult to have assembled more than a nominal quorum at Ottawa. I intimated, as I have said, to those gentlemen, the decision at which we had arrived, and expressed my belief that the Bank of Montreal would, on their satisfying them as to the security, be prepared to give them assistance to the amount that would be necessary—that amount, it was supposed, being somewhere between \$300,000 and \$500,000. I then went down to Montreal, accompanied by Mr. Cartwright, the President of the Commercial Bank, and the other gentlemen who were then acting on behalf of that institution. I saw Mr. Angus, the Manager of the Bank of Montreal—Mr. King being then in England—and expressed to him the hope and the desire of the Government that that Bank would—so far as was consistent with its own safety, and on the deposit of satisfactory securities—extend such assistance to the Commercial Bank as would meet the exigencies of the case. Mr. Angus met the desire I expressed, in the most friendly way, and stated that, when the gentlemen representing the Commercial Bank made their application, he

hoped there would be no difficulty in making an arrangement with them. This was on the 16th or 17th of September, a month before the final difficulty arose which resulted in the suspension of payments by the Commercial Bank. I did not, after that, have occasion to meet the gentlemen connected with that Bank, further than to tell them that I had seen the Manager of the Bank of Montreal; and hoped, when they met him, they would be able to make a satisfactory arrangement. I subsequently heard, the same day or the next day, that an arrangement had been made for an advance of \$300,000, on a deposit of Commercial paper; and I had reason to hope the crisis in the affairs of the Bank had been averted. For some time I heard no more with reference to any difficulty as to the Commercial Bank. There seemed to be no alarm expressed through the public press—I observed no disquietude in the public mind; and I was under the impression that everything was going on in a satisfactory manner. But on Tuesday, 15th October, being on that day in Montreal, I was met by Mr. Cartwright and Mr. Holton, who informed me that the position of the Bank had within a very few days assumed again an alarming character—that the run of depositors, or rather the notices of the withdrawal of deposits, had increased to an extent that would, they were very much afraid, rapidly exhaust the resources of the Bank, and they were desirous that I would again meet the Board of Directors, in order to consider what steps should be taken. I met on Tuesday, 15th October, the Directors who were then in Montreal, Mr. Holton, Mr. Cartwright, Mr. Allan, Mr. Morris, and I think, Mr. Gildersleeve. We discussed very fully the position and resources of the Bank—considered the fact that its affairs had been subjected to a close scrutiny by three gentlemen whose names were themselves a guarantee for the accuracy of the report they had made—I mean Mr. Holton, Mr. Hugh Allan and Mr. Morris—gentlemen who had not been connected with the direction of the Bank, until appointed for the purpose of this enquiry. I was satisfied in my own mind, from the discussion which then took place, that the position of the Bank was one of merely temporary embarrassment, arising from an undue disquietude in the public mind, or in the minds of the depositors, and that a very short time and a very limited amount of assistance would be sufficient to enable them to overcome the difficulty. But I stated to the Directors that, inasmuch as Mr. King, the Manager of the Bank of Mont-

real, had arrived from England, and was expected to be in Montreal next morning, I would prefer postponing any decision as to the course I would recommend the Government to take, until the following day, and that I wished to have their sanction to communicate to Mr. King the information which had been conveyed by them to me. They agreed to this, and I promised to meet them again the following day at three o'clock. I met Mr. King on the Wednesday morning, immediately after his return from England, and we spent a very long interview—extending over two or three hours—in considering very fully the information with which those gentlemen had supplied me, and the position of the whole matter as it then stood. We considered, moreover, the effect which would probably be produced on the country, if the failure of the Commercial Bank became a fact. We looked into the condition, so far as the published statements enabled us to do so, of all the various Banks of the country, compared it with what it had been at previous periods, and considered what effect, according to the best of our judgment, the failure of the Commercial Bank, coming unexpectedly on the country, would have. The conclusion which both Mr. King and I arrived at, was that it might be fraught with very serious disasters indeed. Mr. King was doubtful whether any adequate assistance could or would be given by the other Banks. For himself, he said he had only just arrived in Canada, after an absence of some duration, and he could not even tell what was the position of the Bank of Montreal, as to its ability to give assistance, and he doubted whether aid to a sufficient amount could be obtained by application to the Banks. After, as I have said, several hours of very serious consideration of these points, I came to the conclusion, and it was acquiesced in by Mr. King, that the best course to take under the circumstances was this—that the Government should take the responsibility of coming to the assistance of the Bank, and that it would be well for ~~me~~ to submit the case to the Government, with a recommendation to give assistance to the amount of half a million of dollars. I met the Directors of the Bank at three o'clock, and informed them that, under the circumstances, I was prepared to accompany them to Ottawa the same night for the purpose of consulting my colleagues in regard to giving assistance to the Bank. I therefore left for Ottawa, and arrived there, with Mr. Cartwright, on Thursday, the 17th. I immediately saw Sir John A.

Macdonald, and explained to him the nature of the business which had brought me so unexpectedly to Ottawa. Very naturally, Sir John shared with me—and at once expressed—an anxiety and desire to save the Commercial Bank from disaster; and at the same time, I am bound to say, agreed with me fully that serious danger might occur to other institutions, and to the business of the country, if the failure took place. Sir John directed a meeting of Council to be called, and suggested that I should see the Hon. Mr. Cartier. I did so, and found that he still attached great weight to the objections that we all agreed to as existing at the previous application. They both agreed that by putting such pressure as the Government might properly employ, upon the financial institutions of the country, the necessary assistance might be obtained from them instead of our being required ourselves to come to the relief of the Commercial Bank. After consultation with Sir John, we came to the conclusion that it was not expedient to submit the case to the Executive Council. I was very reluctant indeed to accede to that course. I had come up to Ottawa for the express purpose of submitting the matter to the Executive, and I thought some of my colleagues might feel that I was treating them with discourtesy if I went away without submitting it to them. However, I agreed in deferring my own views to his, but I requested him to see Mr. Cartwright, the President of the Bank, himself, to ascertain if he did not wish formal application to be laid before the Government, and at the same time Sir John and Mr. Cartier suggested that I should accompany Mr. Cartwright to Montreal, in order that I might use my best efforts to obtain assistance for the Bank from the other monetary institutions of the country. With the understanding that as soon as that effort either failed or succeeded, I should at once advise the Government of the result, I went back with Mr. Cartwright to Montreal. We arrived there on Friday morning, the 18th October. I had a consultation with Mr. King, the Manager of the Bank of Montreal, and I will take this opportunity of reading a letter which he wrote to me on the day on which I was in Ottawa, addressing it to me there, and which consequently did not reach me till after my return to that city on the 27th October, though dated the 17th. The letter is marked "confidential," but I have obtained his permission to read it to the House, and I will do so now, because it contains his view of the question as he discussed

it when it was thought desirable by both of us that the Government should come to the assistance of the Bank. The letter is as follows:—

"(Confidential.) BANK OF MONTREAL,
"Montreal, 17th Oct., 1867.

"MY DEAR SIR,—Referring to the conversation between us yesterday, upon the unsatisfactory position of the Commercial Bank, it may be well that I should put in writing the opinion expressed to you verbally respecting the probable effect of a refusal upon the part of the Government to afford that Bank the temporary assistance it has applied for to enable it to meet the increasing demands upon its decreasing resources, arising from the want of confidence felt in its stability by the depositors and noteholders.

"After considering the position of the Bank, as set forth in the statements to the 12th October, in your possession, and with the information I have from other sources of the drain upon the Bank by both its depositors and noteholders, I am satisfied that the Bank must suspend payment within a few days, unless it obtains assistance either from the Government or some other quarter. I believe that the difficulty of the Bank has been rendered more imminent by an unwise expansion of its discounts within the last few weeks, upon the unsatisfactory plea of rendering assistance to others, when its own life was in danger.

"I think it extremely improbable that the Bank can obtain assistance from any other quarter than the Government, as I should most strongly advise my Directors not to increase the amount this Bank has already advanced to the Commercial Bank with the knowledge of the Government, for the reason that I believe all assistance will be in vain, if there is not a peremptory contraction of their loans.

"With regard to the effect of a suspension upon the other chartered Banks, you are aware that the position of some of the Banks is not in my opinion by any means safe, and I think that they would be compelled to apply for assistance. I do not think, however, that any other Bank is so weak as to be unable to furnish satisfactory Bills Receivable for any reasonable advance they might require, and which this Bank might be in a position to afford, with the consent of the Government, as regards the temporary use of Provincial notes.

"At the same time I cannot conceal from myself that the suspension of the Commercial Bank might create such wide-spread distrust

that my opinion would prove incorrect, and that other Banks would also be compelled to suspend.

"There is no question that it is a matter of very great importance that the Commercial Bank should be saved from the necessity of suspension at the present moment, and it will be a great relief to me to hear that the Government assume the responsibility of affording assistance. I trust, however, that if this is done, the Government will insist upon the adoption of immediate measures for bringing the business of the Bank within such a compass as will enable it to meet its obligations; and if it were possible, I should still further wish the Government and this Bank to combine in exerting such a pressure upon the weak Banks throughout the Dominion as would compel them to abandon their present vicious system of expansion without proper reserves, and which will sooner or later bring disaster upon themselves and their confiding creditors.

"Yours truly,

(Signed,) "E. H. KING,
"General Manager.

"Hon. A. T. GALT,
Ottawa."

Now, Sir, I have stated that on my return with Mr. Cartwright from Ottawa, on the morning of Friday, the 18th October, we met Mr. King, and after consultation with that gentleman, it was thought advisable that the representatives of the western Banks should be invited to attend a meeting in Montreal. Telegrams were accordingly sent to the head officers of those Banks, requesting that they would as soon as possible send representatives to Montreal, for the purpose of attending the meeting. That meeting took place on Monday, the 21st October. I do not propose to enter into any detailed statement of the events of that day, because statements of all the proceedings have been so fully put forth by the gentlemen on both sides who attended, that it is unnecessary for me to do so. I think, however, that no gentleman who was present will refuse me the credit of saying that all my efforts were directed to promote harmony, and to bring about a measure of real relief. I will say further, that during the greater portion of the day, from about twelve o'clock, the understanding was come to, which, in my opinion, and also in the opinion of all the gentlemen who were at the meeting, we believed would have produced the necessary assistance to the Commercial Bank. It was necessary, however, that the plan should be communicated for approval to the head officers of the several Banks, and

we had therefore to await their reply. Consequently the time (between twelve or one o'clock and five in the evening, was spent in communicating between the agents at Montreal and their superiors, and in awaiting the final issue. At half-past five o'clock the decision came, which was to the effect that the plan suggested could not be carried out. Up to that moment I had been sanguine that the crisis might be averted. Upon learning that assistance could not be obtained in the way in which I hoped it could, the Directors of the Commercial Bank called a meeting, at which Mr. Cartwright invited me to be present. He then stated, that as all hope of assistance seemed to have failed, he could only make one suggestion, and that was that he should be authorized to place the affairs of the Bank in the hands of the Bank of Montreal, if that institution would undertake to protect the interests of the creditors of the Commercial. That proposition was assented to, and I promised such moral support as I could afford to overcome the difficulties of the position. Mr. King, however, upon hearing a statement from Mr. Cartwright, said that he feared it was impossible for the Bank of Montreal to incur the responsibility of assuming the control of the affairs of the Commercial Bank in the state in which they then were, especially when it was certain that more or less discredit would attach to that institution from the known events of the day. For my own part, I felt that I could not urge Mr. King, beyond a certain point, to come to any different conclusion from that at which he had arrived, and for this reason, that the Government themselves had been obliged to borrow largely from the Bank of Montreal. We owed the Bank about two and a half millions of dollars, and I was myself, as Finance Minister, perfectly aware, and so was Mr. King, that with the provision to be made for the January interest, the Government would require to continue that loan; and therefore I felt that if the assumption of the liabilities of the Bank by the Bank of Montreal was likely to cripple the resources of that institution, it might interfere with the arrangements of the Government itself. The opinion of Mr. King was confirmed in the course of a few minutes by Mr. Ryan, one of his Directors, who stated that if Mr. King made the recommendation, the Directors would not feel themselves justified in assuming the management of the affairs of the Commercial Bank. I then told Mr. King that now that the matter had come to the point that assistance could not be obtained

from the other banking institutions of the country, I must immediately telegraph to the Government of the unfortunate failure of our efforts. I went to the telegraph office within three quarters of an hour of the unsuccessful termination of our negotiations, and telegraphed to Sir John A. Macdonald to the effect, that the attempts to obtain aid from the other Banks had failed; that the suspension of the Commercial Bank had been determined upon by the Directors; and that I wished him to call a meeting of the Executive Council immediately, and to inform me of the course to be taken. At the same time I took steps to have the telegraph offices kept open all over the country during that night. I saw Mr. King subsequently, and informed him that the telegram had gone. I then asked him whether in the event of the Government authorizing me to interfere on behalf of the Commercial Bank, I could rely upon the resources of the Bank of Montreal, if necessary. He at once replied that the whole resources of the Bank would be at the disposal of the Government if required. I then said to him, I now think it necessary that we should make arrangements at the earliest hour in the morning; and therefore I must request you to remain with me to-night until a final answer is received from the Government. I made this request with a view, if our efforts should prove successful, of transmitting the necessary instructions to the various agencies throughout the country, before the doors were opened the next morning. He assented to my proposal, and we remained together until half-past eleven o'clock in the evening, when I received a message from Sir John A. Macdonald, to the effect, that he had been unable to obtain the attendance of two leading members of the Government, and he desired if possible, that the crisis should be delayed until the next day. I immediately replied that it was impossible to do that, as all the Banks throughout the country had been telegraphed that the doors of the Commercial would not be opened the next morning, and therefore I repeated my request that he would call his colleagues together to obtain their assent, and inform me before 8, a.m. I then told Mr. King that it would not be necessary for him to remain with me, any longer, but that I would instruct the telegraph offices to send the answer to me, and to be prepared to receive our instructions at any hour during the night. I further stated that if I received the reply which I hoped to receive, he would have to allow me to see him

at any time in the course of the night or in the morning before eight o'clock, to which he assented. At half-past two o'clock in the morning, I received a telegram, which I now propose to read to the House:—

“OTTAWA, 21st Oct., 1867.

“To Hon. A. T. GALT,—

“Private.—Council met and considered your telegrams. Information as to condition of Bank, character of security offered, and reasons why other Banks declined to help, insufficient to warrant any action by Government.

(Signed,) “JNO. A. MACDONALD.”

When I received that message it produced a very painful feeling of disappointment in my mind. My first enquiry was whether the telegraph offices were still open, to which the messenger replied that the agent at Montreal, on receipt of this message, had not considered it necessary to keep open the offices in the West, and therefore there was no means at my disposal to communicate with my colleagues. It became necessary for me then to face the failure of the Bank, and the possible consequences. I felt the delicacy of the position in which I was placed by the telegrams which were sent through the country, and it appeared to me, as I shall presently have occasion to point out, that I had not been treated with the courtesy or fairness which, as Finance Minister, I had a right to expect. I thought that the Government had placed the failure of the Bank in such a position that the matter would necessarily come before Parliament and the country in such a way as to make that event appear to be attributable to me, for not having given the Government full information, and that the whole responsibility of not having obtained assistance, and of not averting any disaster that might occur, would fall upon my shoulders. The disappointment which I experienced was also increased by the feeling that I was placed in the painful position of being betrayed by my friends. Moreover, as Finance Minister, I had believed that I possessed the confidence of my colleagues, and that they would not have deserted me under such circumstances. I had not recommended in my telegrams to Sir John that any assistance should be given to the Bank, because he was aware that I had been in Ottawa for the express purpose of recommending that assistance should be given. Therefore, I felt that I had been deserted by my friends, and that, as Finance Minister, looked to by the country for the maintenance

of its credit and the averting of disaster, I was in the position of being supposed to have had power while I was impotent to save. Under these circumstances I felt that there was only one course for me to pursue, namely, to place my resignation in his Excellency's hands. I thought it necessary to address this answer to Sir John:—

"MONTREAL, 22nd Oct., 1867.

"MY DEAR SIR JOHN,—At two a.m. I received the following telegram from you.

'Private.—Council met and considered your telegrams—information as to condition of Bank, character of security offered, and reasons why other banks declined to help, insufficient to warrant any action by Government.'

"The grounds stated for the refusal of the Government to act appear to me to imply both censure and want of confidence. As regards the alleged want of information, I must remind you that I went to Ottawa with Mr. Cartwright, the President of the Commercial Bank, on Thursday last, for the purpose of submitting the whole case to Council, and only at your express desire abstained from doing so. The whole state of facts were thus known to you, and also to other members of the Government. If you supposed any change had taken place, you could have sought and obtained this information by telegraph last night, before adopting the resolution you have communicated to me.

"Had the Government seen fit to rest their decision upon the want of proper authority, or the inconvenience of establishing a precedent, I might have consented to share the responsibility of this action; but I must decline to do so upon the grounds stated in your telegram.

"I have therefore only to place my resignation in your hands, and to request that you will submit the same to His Excellency the Governor General.

"Believe me, &c., &.,
(Signed,) "A. T. GALT.

"Hon. Sir J. A. Macdonald, K.C.B."

That letter was written on the 22nd October, the day in fact of the suspension of the Commercial Bank. I did not receive an answer until Wednesday morning, when Sir John telegraphed me that I had entirely misunderstood the action of the Council; explanations were due between us, and that he wished me to come up to Ottawa. I still felt, under the feeling of very severe disappointment, not to use a stronger term, which I then entertained, that I could not

accede to his request. I therefore replied that I must decline his proposition, and stated that any explanations must be in writing.—Sir John then did me the favor, and I must thank him for the consideration which he displayed towards me, of telegraphing to say that he had engaged a special train and would come down to Montreal. On Thursday, the 24th, we met, not until two o'clock, the train on which he was having been delayed. He stated to me that I quite misunderstood the intention of the Government; that they had no wish to throw any undue responsibility upon me; and added that I was entirely mistaken in supposing that either himself or Mr. Cartier, or any of the other members of the Government, had any lack of confidence in me, or any intention of withholding their support from me. We had considerable discussion together, but I still remained under the impression that I should be obliged to adhere to my first resolution. However, I had an appointment with Mr. King at the Bank of Montreal, at five o'clock—because I was still anxiously watching the effect of the failure on the Banks of Western Canada—and my honorable friend the Premier had also an appointment with the present Finance Minister at the same hour. I therefore left him and went to see Mr. King, who met me with the statement that the crisis had commenced in the Province of Ontario, and he read to me a message in cypher, which said that a run had commenced on the Royal Canadian Bank, and threatened to extend to the other Banks in Western Canada, and might assume a general character on the next morning. He urged me most strongly to withdraw my resignation, and not to leave the charge of the finances of the country at the moment when a crisis had come upon us. There was the more force in the demand which he made upon me at that time, because in view of the possible crisis which might arise, he had with my knowledge and full concurrence, but certainly at the risk of some inconvenience to the Bank, provided himself with a large amount of specie from New York, both sent to Toronto and to Montreal. Consequently he had made all possible provision for the crisis if it did occur, and for extending aid if necessary. Therefore Mr. King was warranted under the circumstances in asking me not to insist upon retiring from the Government on this particular question, and at a time when if my retirement had been known it might have caused much public embarrassment. Finally I made up my mind, under

the exceptional circumstances, to retain my office. I returned to Sir John and stated to him that I would accept frankly the explanations which he had given, but that I must have them in writing, because the telegram which he had sent me was on record. The question then arose as to the best means to meet the difficulty which had come upon us. Sir John left for Ottawa, assuring me that Government would give me any support that I might desire while I remained in Montreal. The next day, Friday, the 25th October, passed without any material change in the position of affairs. We got information that the Banks had, as was supposed, suffered to some extent, but it was believed that the efforts which were being made by the various banks to sustain themselves would be successful, and no event of any importance occurred. Saturday, the 26th came, and with regard to that day, I shall be obliged to trouble the House, by reading several telegrams which passed between myself and members of the Government. It was really the important day of the crisis. I first received a telegram from Sir John A. Macdonald, in which he suggested that it might be desirable that I should proceed by special train to Ottawa. To that I replied, that I did not think it necessary for me to go up, and that I could avail myself of the following day, Sunday, for communication, if necessary. He answered, that I was quite right in remaining in Montreal. I received at 2. p.m., the following telegram from Mr. Howland:—

“OTTAWA, 6th Oct., 1867.

“To Hon. A. T. Galt,

“Confidential.—Public officers telegraph that Bank of Montreal refuses bills of all Upper Canada Banks, except on collection. Anxious to hear from you. Cartier has left for Montreal.

(Signed,) “W. P. HOWLAND.”

To that I replied at 3:25, as follows:—

• “MONTREAL, Oct. 26th, 1867.

“Hon. W. P. HOWLAND, Ottawa.

“Private.—Message received. Have seen King. His Kingston manager mistook instructions. Has been advised of his mistake. Bank does not refuse Royal Canadian notes so far, but instructed agents to have understanding with parties depositing. Nothing with regard to other Banks. We cannot interfere with discretion of Bank without giving our own

guarantee. Do you think public interest would justify? Answer.

(Signed,) “A. T. GALT.”

A few minutes afterwards I received further information, which induced me to send the following message to Mr. Howland:—

“3:45 P. M.,

“MONTREAL, 26th Oct., 1867.

“Hon. W. P. HOWLAND, Ottawa:

“Since telegraphing have heard more alarming news from West. Fear distrust becoming general. Will be better able to judge after business hours. Think Monday will be a critical day. Bank of Montreal has done nothing except what her own interests demanded.

(Signed,) “A. T. GALT.”

I may state in reference to the first telegram, that Mr. King informed me that he had learned before twelve o'clock that his Kingston manager was acting as stated, refusing the bills of all Upper Canada Banks, and that he at once sent instructions to him. I then sent to Mr. Howland the telegram which I have just read, and received the following reply:—

“MONTREAL, Oct. 26, 1867.

“To Hon. A. T. GALT,

“Confidential.—Message received. Order given. Does not determine policy. All desire that you should come up to-night.

“W. P. HOWLAND.”

And also the following:—

“MONTREAL, Oct. 26, 1867.

“To Hon. A. T. GALT,

“Confidential.—Have seen your message to Howland. We have authorized public officers to receive notes of all chartered banks, except Commercial and Upper Canada. Council thoroughly converted to our opinion as to support of banks.

“JOHN A. MACDONALD.”

I had no doubt that the steps taken by the Government would go far to allay the distrust existing in the public mind. I therefore telegraphed to Sir John, as follows:—

“MONTREAL, Oct. 26, 1867.

“To Sir JOHN A. MACDONALD.

“My information does not lead me to believe things so serious. King has telegraphed to receive all notes on Monday morning. Believe I had better wait here. No justification yet for measure proposed.

“A. T. GALT.”

Sir John answered to the following effect:—

" OTTAWA, Oct. 26, 1867.

" To Hon. A. T. GALT.

" Come up by all means. Bring Tilley with you.

(Signed), "JOHN A. MACDONALD."

I saw Mr. Tilley that evening, and also Mr. Kenney, the Receiver General, both of them happening to be in Montreal. I explained the position of matters to them, and they agreed with me as to the course that should be taken. As to going to Ottawa, Mr. Tilley did not choose to make the journey at that time. He had only just arrived in Montreal after a tedious and long voyage from New Brunswick, which, aside from the weariness incident to travelling, was made under circumstances that, I trust, rendered it a happy one. (Hear, hear, and laughter.) He therefore did not consent to accompany me, nor did Mr. Kenney, but we all agreed as to what course should be taken. Mr. Howland also telegraphed me to this effect:—

" OTTAWA, Oct. 26, 1867.

" To A. T. GALT.

" Confidential.—Message received. Hope that you will come up to-night. Have telegraphed Government officers Government will receive notes of all chartered banks except Commercial of Kingston and Bank of Upper Canada. Officers asked instructions, and have given this reply by advice of Council.

(Signed), "W. P. HOWLAND."

Sir John again telegraphed me:—

" OTTAWA, Oct. 26, 1867.

" To Hon. A. T. GALT.

" Confidential.—Council agree that you had better run up to-night. Cartier left at one thirty (1:30) to-day for Montreal. Bring him back. Telegraph Detlor for special train Prescott.

(Signed), "JNO. A. MACDONALD."

Of course, after receiving these telegrams from Sir John, I at once waived my own opinion as to the necessity of going to Ottawa, and went. I am bound to say here, Sir, that I was disappointed at the telegram having been sent to the public officers throughout the country under the signature of any other member of the Government than myself. The fact that it was signed by Sir John instead of myself might, I feared, lead to a conviction in the public mind that in regard to the panic and the mode of dealing with the Banks there, was a distinct policy on the part of the Government which differed from my own. I was afraid such a misconception would be formed in the public mind, and I would therefore have preferred him to have put my

name to the telegram or put me in possession of the announcement before he sent it to the officers of the Government. I now come to the events of Sunday the 27th. I left Montreal by the evening train and arrived at Ottawa on Sunday morning at ten or eleven o'clock. I will take this opportunity of referring to what some of our writers in this country, who prefer so much the letter to the spirit of the Bible, have said in regard to Mr. Cartier and myself for having, on that particular Sunday, devoted themselves, as members of the Government, to the task of trying to save the country from disaster. I have as much respect for the Sabbath as any one, and have always abstained from the practice of violating it; but, I would never hesitate to act in a case of necessity, even although it was on the Sabbath; and if there ever was a pressing necessity it was that on that Sunday the Government should devote itself to the christian duty of saving the country. (Hear, hear.) We met in Council on Sunday, and the first question that came up for discussion was what policy the Government should adopt with reference to the crisis that then actually prevailed in the Province. I stated to my colleagues what the point was that required to be settled—would or would not the Government interfere with all the power at its command to prevent the impending disaster, and the proposition met the unanimous approval of the members of the Government who were present, that they would, if necessary, come to the assistance of the Banks, on Monday morning. I informed the Council that the most effective arrangements that could be made to meet the apprehended danger, had been already done, namely, largely to increase the stock of specie held at Montreal and Toronto, and to forward Provincial notes to different points of danger, where they might be ready to be paid out, in case of a continued run; so that the only thing that would be required would be to telegraph instructions on Monday morning, in order to put the crisis at an end. The question then was, whether the Government was called upon to do this. No application had been made by the Banks for aid; but feeling that the Banks were in great danger, and that, perhaps, they thought an application to the Government would be useless, we sent this telegram to the Managers of the Banks. Before reading it, I may mention that on that particular Sunday, the telegraph offices all over the country were kept open. We had it therefore in our power to communicate at once with any point where danger was threatened. This message was sent:—

"CROWN LAW DEPARTMENT,
"Ottawa, 27th Oct., 1867.

"To Bank Managers at Toronto, Manager of
Gore Bank and Hon. Mr. SIMPSON.

"Will you ascertain, for information of
Government now in Council, what are the
views of the Western Banks in regard to pro-
gress of panic and ability to meet it.

(Signed), "A. T. GALT."

To this telegram we received a reply in
each case. I will not trouble the House by
reading all these replies, for they are of the
same tenor throughout, but I may say that I
will hand them to the reporters for the Press
in order that they may appear afterwards *in*
extenso. I will read one of them, the first
that comes to hand. It is from Mr. Smith,
the President of the Royal Bank, Toronto :

"TORONTO, 27th Oct., 1867.

"To Hon. A. T. GALT.

"The Bank of Montreal having yesterday,
at several points, refused the bills of other
Banks, will have the effect of increasing the
panic which was subsiding. Should another
Bank suspend all must follow, and universal
bankruptcy ensue. Think all the Banks can
redeem unless the panic is intensified. Mean-
time all discounts are stopped and business
suffering. Wheat has declined twenty (20)
cents.

(Signed), "A. M. SMITH,
"President."

The following replies were also received
but were not read by Mr. Galt.

"TORONTO, 27th Oct. 1867.

"To Hon. A. T. GALT,

"Run subsiding—gold arriving freely from
New York. Royal Canadian may want help
if King continue his course.

(Signed), "JAS. G. WORTS."

"BOWMANVILLE, 27th Oct., 1867.

"To Hon. A. T. GALT,

"Finance Minister.

"Little or no excitement here—good deal
Toronto and westward—think will spread.
By sacrificing material interests our Bank
can stand hard run ; can't speak for others.—
Think steps should be taken to redeem Com-
mercial notes at par ; Government giving no-
tice that notes of all chartered banks received
at par in payment public dues—this would
stop panic. Will be Toronto to-morrow.

(Signed), "JOHN SIMPSON."

"TORONTO, 27th Oct., 1867.

"To Hon. A. T. GALT:

"Telegraph received. Have just come to

town to see the different parties, and will
communicate result the earliest moment pos-
sible. Council had better not adjourn until
they hear from me again.

(Signed), "W. McMASTER."

"TORONTO, 27th Oct., 1867.

"To Hon. A. T. GALT,

"Panic which appeared to be subsiding a
little, is likely to be greatly intensified by the
Bank of Montreal having refused Royal
Canadian bills at some of its branches. In
the event of this being the case the conse-
quences must be very serious, and the Go-
vernment should do something in order to
avert the calamitous results that must follow
in Western Canada. I shall wait a reply in
order to see managers as requested.

(Signed), "WM. McMASTER."

"TORONTO, 27th Oct., 1867."

"To the Hon. A. T. GALT:

"If your Government in Council can suffi-
ciently control your Bank to continue publicly
usual courtesies to Western Banks, think the
panic will subside, and that they will be pre-
pared to meet the demands of public. Want
of confidence by it in any one of them at
present time might prove disastrous to the
whole.

(Signed), "A. FISHER,
"Manager Ontario Bank."

The Government then sent this message to
these gentlemen :—

"OTTAWA, 27th Oct., 1867.

"A. FISHER, Esq.,

"Ontario Bank, Toronto.

"Government have already instructed their
officers and Bank of Montreal to receive pub-
lic dues in notes of Banks. We cannot
instruct Bank of Montreal beyond this point,
without assuming responsibility of all their
business, which form of aid could not be
adopted. Have requested King to go as far
as consistent with safety, without our actual
guarantee. He informs us refusal arose from
mistake of instructions at Kingston, and we
understand all current notes will be taken by
Montreal Bank to-morrow. Keep us ad-
vised.

(Signed), "A. T. GALT."

There was no reply to this message, and
the Banks, as I have said, did not make ap-
plication for aid. Coincident with this we
sent two messages to Mr. King—the first
read thus :

"OTTAWA, 27th Oct., 1867.

"E. H. King, Esq.,

"Bank of Montreal,

"Montreal,

"Government are informed by Ontario and Toronto managers, that they believe panic will subside, if Bank of Montreal continue usual courtesies. Government trust you will be able to do so, consistently with your own safety, but we do not guarantee your collections beyond those paid in by public officers. We have sent the following telegram to Toronto: 'Keep me advised.'

(Signed,) "A. T. G."

The second reads as follows:

"MONTREAL, 27th Feb., 1867.

"E. H. KING, Esq.,

"Private.—Government wish you to increase our specie reserve at Toronto by transfer of gold from Montreal; also, to send up supply of notes payable in Montreal. Small denominations likely to be most useful. This is precautionary. I shall remain here. Have written you.

(Signed,) "A. T. GALT."

This last telegram was sent with a view of our being in a position, as I have said, to meet any possible application that might be made to us. In reply we received this message from Mr. King:—

"MONTREAL, 27th Oct., 1867.

"To Hon. A. T. GALT,

"Message received. We have already given instructions to receive all Bank notes except Commercial and Bank of Upper Canada. Our wishes are those of the Government, and in this emergency we regret to receiving no encouragement to look beyond our own safety.—The Bank holds specie at Montreal and Toronto in excess of Government reserve, which is quite at your service. We telegraphed last night offering assistance to Bank most in danger.

(Signed,) "E. H. KING."

I again telegraphed on this same day to Mr. King:

"OTTAWA, 27th Oct., 1867.

"To E. H. KING:

"Message received. Let me know your advices from West to-morrow. If run continues and extends it will probably be necessary for you to accompany me to Toronto.

(Signed,) "A. T. G."

The letter to which I referred in this message I shall read to the House. It was submitted to and approved by the Privy Council:

"OTTAWA, 27th Oct., 1867.

"(Confidential.)

"MY DEAR KING,—Government will come to aid of Western Banks if they ask it; but thus far in reply to us they allege their ability to stand, if the Bank of Montreal does not discredit them.

"We cannot see our way to desire you to take their notes, except for our own collections, though we should be happy if you can do so. But we feel that to go beyond that is in reality endorsing them without limit, and without conditions.

"Mr. Simpson, of the Ontario, thinks panic will spread, and suggests we should take all notes, *including Commercial*, at par for public dues.

"I would request, on the part of the Government, that you will strengthen our specie reserves at Toronto, by transfer of gold from Montreal, and that you also forward to your Branch there as many notes, *payable in Montreal*, as you may think likely to be wanted in case of need. I presume small denominations will be most useful. Of course they can be reinforced day by day if required.

"Yours faithfully,

(Signed,) "A. T. GALT."

I may state that the reason for desiring these notes to be made payable in Montreal was that in case of a continued demand for specie the Government would have at least twenty-four hours to prepare for its withdrawal by holders of the notes. I may take this opportunity of saying that the panic had not shown any inclination of extending to Provincial notes, and I am informed by the Manager of the Bank of Montreal that only two thousand dollars of them were presented for redemption during the three days in which the panic prevailed. On the Monday Mr. King addressed the following letter to me, which I have his permission to read to the House:

"BANK OF MONTREAL,

"Montreal, 28th Oct., 1867. *

"(Private.)

"MY DEAR GALT,—"Your note by Mr. Cartier reached me this morning. I think it right to say that I fully understood the effect of the advertisement which appeared in this morning's papers, that the Government 'would receive the notes of Chartered Banks, &c.'

"It placed this Bank which has no circulation, and which is the agent of the Government, in the unenviable position of electing to take a very heavy risk by receiving the notes of

other Banks indiscriminately, or of incurring the great unpopularity of defending itself, as it has a perfect right to do, by refusing any bank note. If the measure taken by the Government was of itself sufficient to restore confidence, I would not have thought so much of it, but I well know, and so do the Banks themselves, that the Government advertisement would not have been sufficient if we had discredited them to-day, and it is for that reason I feel that the Government threw all the responsibility upon the Bank—its own agent—without consultation or asking our co-operation, until the telegrams had been sent over the country. I do not of course mean to say that the Government would not be prepared to take any responsibility that the exigency of the public interests might demand, but I think it will be admitted on reflection, that the course that was taken was not of itself sufficient, and placed us in an invidious position, such as we hardly deserved. It is true that the Government could not be expected to endorse all the Banks at such a moment. But if they could not, could we? At least the Government might have stood by us for one day. If the Bank had joined in the advertisement, the panic was at an end. If the Bank had discredited the other Banks, who can tell which of them would have stood? It was a serious responsibility [This refers to Mr. King having agreed to accept all notes] and I took it in the best interests of the country; but I would not be frank if I did not let you see that I feel that the Bank hardly received that consideration which it might have expected at this critical period. I am of course aware that the telegrams were dispatched by the Council before you left the city, and there is no doubt on my mind that the full bearing of the measures that were taken, and the effect of your telegrams last night, that we must consult our own safety, were not fully apparent.

* * * * *

(Signed,) "E. H. KING."

On Monday morning, when the Council met, we were very much gratified to find by intelligence which reached us from all quarters of the Province, that the panic had really subsided, and that there was no apparent necessity—at any rate, there was no demand—for the Government coming to the assistance of any of the Banks. In the course of the day, we received a telegram from Mr. Cameron, the hon. member for Peel, stating that the Banks had had a meeting, and desired to send a deputation to Ottawa, to have an interview with the Gov-

ernment. To that telegram, I replied that we would be glad to see any gentlemen who might come on behalf of the Banks, but that we would like to know the object sought to be attained by the visit. Mr. Cameron replied that that would be fully explained when they arrived. The Council met again on the 29th. At that meeting, I thought the time had arrived when I should ask my hon. friend at the head of the Government to give me in writing, the explanations which he gave me verbally on the day of the panic. This, my hon. friend, in the kindest and handsomest manner, did, and I will now read to the House his letter. I may premise it by stating that I, as stated, entertained a most painful feeling on reading the telegram from my hon. friend, and it, therefore, gave me a corresponding feeling of satisfaction to receive the assurances contained in this letter. It is to the following effect:—

"OTTAWA, 30th October, 1867.

"MY DEAR GALT,—I was not conscious, until I heard your statement in Council this afternoon, that you deemed it essential that I should, in writing, respond to your note of the 22nd instant, but I most cheerfully accede to your wishes, and have pleasure in repeating the assurances which I have made to you verbally, that in framing the telegram to which your note refers, no member of the Council (and least or last of all myself) had the most remote idea of seeking to throw upon you the responsibility of the failure of the Commercial Bank, or of the course which the Government pursued in not coming to the assistance of that institution. The actual wording of the telegram leaves open, certainly, the inference which you have drawn, but we all disclaim the supposed intention which has given you offence; and you must bear in mind that the message was not meant to indicate the final action, or even a decision, of the Government; it was rather a confidential communication from one section of the Council to another, thrown out by way of consultation, and seeking for a reply. A decided negative to the proposal was overruled, because we wished to keep the door open for further negotiation, and for information as to the reasons which actuated the other Banks in refusing to aid the Commercial; but we all recognized the earnest endeavors which you had made for the maintenance of the Bank, and no one had any idea of imputing blame to you for not having put the Government in full possession of every information as to the position of the Bank, which you had it in your power to afford.

"I hope that this explanation will satisfy

you, that, whatever was unfortunate in the wording of the telegram, nothing could have been further from our thoughts than to have occasioned the annoyance and mistrust which it gave rise to on your part.

"Believe me, my dear Galt,

"Very sincerely yours,

(Signed,) "JOHN A. MACDONALD.

"The Hon. A. T. Galt,

"&c., &c., &c."

I may state, what I have already said before, that it was impossible to answer the telegram, the substance of it having been so understood by the operator who transmitted it, that the offices had been closed. I now arrive, Sir, at the conclusion of all I have to say in reference to the failure of the Commercial Bank, the panic having ceased on the day that letter was written. I may add a word in regard to the extraordinary impression which seems to have prevailed in the public mind, in respect to the causes of that panic—an impression founded on the imputation that the Finance Minister of the country and the manager of the largest Bank in the country desired and deliberately attempted to bring about the ruin of one of the largest and most influential banking institutions in Canada, and to plunge the country into all the misery of a great commercial disaster. As far as the Finance Minister was concerned, I think he would have shown himself a fitting inmate for a lunatic asylum, if, a few days before the meeting of a new Parliament, he had put himself in the position of trying to bring about a violent disturbance of the financial and commercial relations of the country. To lay such an imputation upon one occupying the responsible position of Finance Minister, is, I think, extraordinary and preposterous—the very acme of absurdity. (Hear, hear.) Besides, Sir, to put it even on the low ground of personal interest, it is perhaps known to some honorable members that I am a shareholder in the Commercial Bank, and for me to have entertained a desire of the kind that has been imputed to me was equivalent to a wish deliberately to destroy my own property. So much for myself. With regard to the charge against the Bank of Montreal, I think that the banking institution which carries on the largest commercial transactions in the country must,

cæteris paribus, be the largest loser in the event of a panic. Therefore I say that the impression that the Bank of Montreal and myself, as Finance Minister, entertained that design was the most extraordinary delusion that ever took possession of the public of this or any other country. (Hear, hear.) I hope that the explanations which I have just made will at any rate satisfy the House and the country, that whatever misconception may have taken place in regard both to Mr. King and myself, certainly, as far as I was concerned, every effort that could have been made was made willingly by me to sustain the Commercial Bank, and, failing that, to prevent the disaster spreading to the other Banks. (Hear, hear.) I shall say no more upon that point, because it is not my desire, in making these explanations, to say anything that is likely to give offence or raise unnecessary discussion upon a question that is not properly before the House. I have only now to add, Sir, that on the receipt of the letter of the 30th October, from Sir John A. Macdonald, I waited upon my colleagues in Council and informed them that I accepted, as I had said I would do, the explanations Sir John had given me, and thanked them for their consideration and goodness in putting them in the shape he did in his letter. Two days afterwards I reviewed carefully my own personal position, and came to the conclusions, for the reasons which I have already conveyed to the House, that it was necessary for me to resign my office as Minister of Finance. On the 1st of November I did so, and the responsibility for the subsequent course of events, which I am happy to say, has not been of a character to excite any apprehension or alarm, so far as that responsibility falls upon those who have the duty of guiding the financial affairs of the country, is a subject upon which I have no observations now to offer. I thank the House for the opportunity it has afforded me of making these explanations. I think that, at all events, they relieve me from the charge of attempting to bring about a great financial disaster, and also show that I endeavored faithfully to do my duty in the very anxious and trying position in which I was placed. (Applause.)





